

**Audit and Finance Committee  
Minutes – APPROVED  
July 28, 2020  
Meeting Held Remotely via Zoom**

Present: Mack Cook, Eric Snow, Rordan Hart, Peter Salton, Steve Thayer (arrived at 3:34 p.m.), Jon Munson (arrived at 3:34 p.m.), Bud Shattuck, Laura Shawley

One Vacancy

Staff/ Guests: Judy Drake, Board of Directors Chair; Elin Dowd, Executive Director; Don Barber, Consultant; Andrew Braman, Treasurer; Steve Locey, Robert Spenard, Locey and Cahill; Jessica Hobart, Tompkins County Finance; Lisa Holmes, Director; Michelle Cocco, Clerk of the Board; Debra Meeker, Administrative/Computer Assistant; Mike Slade, Louann Giangreco, Mary Stallone, Rob Lawlis; Paul Vervalin, Jen Yartym Guthrie Cortland Medical Center

**Call to Order**

Mr. Cook, Chair, called the meeting to order at 3:33 p.m.

**Changes to the Agenda**

There were no changes to the agenda.

**Approval of Minutes of June 23, 2020**

It was MOVED by Mrs. Shawley, seconded by Mr. Salton, and unanimously adopted by voice vote by members present, to approve the minutes of June 23, 2020 as submitted. MINUTES APPROVED.

Mr. Munson and Mr. Thayer arrived at this time.

**Discussion of COVID-19 Impacts with Cayuga Medical Center (CMC)**

Ms. Dowd recognized Dr. Marty Stallone, CEO of Cayuga Medical Center, who introduced Mike Slade who is in charge of coordinating network services at CMC, Louann Giangreco, Systems Chief Medical Officer for CMC, and Rob Lawlis, CEO of Cayuga Health Partners.

Dr. Stallone spoke of CMC's experience with the pandemic and said COVID-19 is a threat to health systems and practices. He said CMC experienced a decrease in almost all services they offer and particularly in Emergency Department and urgent care activity which was in large part due to people being fearful of coming to health establishments where they perceive a risk of coming into contact with a Covid-positive individual. During this time it has not been just the discretionary care that has decreased; there has been a quantitative decreased number of strokes, heart attacks, and serious infections. There is no explanation for the decrease in those numbers but they decreased in frequency in presenting to the hospital.

Dr. Stallone said CMC preserved access by expanding Telehealth services; it has not replaced the aversion to in-person care but has provided needed access for many patients. He said there are now commissions from the State that are examining life after Covid and what can be expected and the introduction of Telemedicine is one of the good things that will come out of it in the long-term.

Dr. Stallone spoke of the financial impact the pandemic has had on CMC and said for a two-month period the Hospital was at 50% of its revenue and is now trending back to normal although it is not back to normal at all of its consolidated organizations. He addressed rebound

demand and over-utilization of services compared to baseline and said he thinks there will be continued aversion to health care and that the system will have difficulty going above 110% of historic capacity. He also doesn't believe the revenues will be filled in by overutilization in the fall, particularly with the risk of a second shut down or other orders that limit healthcare activity. He said the Hospital's costs have gone up by being mandated to accumulate and stockpile supplies in addition to increased labor costs. The Hospital furloughed 200 employees but have now restored those jobs.

Dr. Stallone spoke regarding Covid testing and said they are proud to have exceeded 50,000 tests with the majority in Tompkins and Cortland counties. They have partnered with Rionix, a local company, and have a number of developments that leverages resources to do a number of tests. They feel they are enabling businesses and governments with greater confidence to reactivate and focus public health resources where needed. Given the nature of travel into and out of Tompkins County in particular he thinks this resource is very important to keep the community safe.

Dr. Stallone said although it is not the scope of today's conversation they would like to give a presentation in the future about how they are working together as a unified team and developing what they consider to be network product offerings in the area of tracking high cost claims, bending the high cost curve on an ongoing basis, providing wellness platforms, and accomplishing health parameters.

Mr. Cook asked if when a vaccine comes to market if it will be accompanied by other ancillary medical costs that will have to be rendered to administer a vaccine. Dr. Stallone responded that the drive-thru testing model may in some way be translated into a drive thru mass vaccination if that were to happen. He doesn't necessarily think a vaccination will accompany an office visit, although that could happen. Ms. Giangreco agreed and said there will need to have a mass scale administration and it will be a relatively new vaccine and there will be a need to ensure people are being looked after.

Ms. Dowd referenced potential regulations and employers being responsible for testing and asked what Dr. Stallone feels the financial impact would be to an organization like the Consortium if employers cover the cost of a vaccination. Dr. Stallone said it will likely be an employer responsibility and is doubtful there will be public funding. He said he thinks it will be counter-balanced by other liabilities pursuant to the reduced consumption of healthcare and doesn't think it will represent a net increase for businesses that are self-insured.

Mr. Stallone said they have found their partners need testing but also navigation and advisement services that a health system would be able to purvey and asked if it would be valuable to have discussion of broader things such as bringing health services to bare to allow business at-large to continue. He thinks in the future there will be demand for not only responsible and well-priced testing but navigating and escorting people and following people who may fall through the cracks. Ms. Dowd responded that access to affordable care is one of the Consortium's objectives and navigating through a pandemic falls within that. The Consortium is always helping its subscribers to get access to care and navigating care is important and valuable to the Consortium.

Mr. Cook said he worries that even in a vaccine environment testing will remain very important and noted both Cortland and Counties have a fluid student population.

**Discussion of COVID-19 Impacts with Guthrie Medical Center**

Jen Yartym, Guthrie Cortland Medical Center President, said from a provider-based business perspective in a pandemic they have seen a huge shift to virtual care and Telehealth options and have had to respond quickly in order to meet the needs of the community while keeping them safe. She said although they are starting to see a slight uptick in cases there hasn't been a high number of cases in this region. She spoke of the difficulty they had in obtaining PPE (Personal Protection Equipment), the expenses they incurred related to both that staffing, and responding to the Executive Orders.

Mr. Vervalin, Guthrie Systems CEP, spoke of the impact on staffing and the associated costs. With regard to moving forward, Ms. Yartym said they have been proactively planning and working on having a 90-day supply and to ensure they have appropriate capacity required by Executive Orders. The State of Pennsylvania has been able to catch up on almost all procedures quickly. Ms. Yartym said as the community's comfort level has increased, Telemedicine has dropped back to approximately 25-30%.

With regard to government mandates and whether they have contributed to pricing changes, Ms. Yartym said as a system Guthrie has not implemented any changes to charges or in their charging methodology. Mr. Vervalin said expenses have gone up; however, they have cut costs and look at ways to control costs and do not anticipate factoring increased costs in their conversations with payers. If it becomes widely accepted by both a provider and patient, they believe Telemedicine will alter the way things are done in the future.

Ms. Drake thanked guests for taking the time to attend this meeting and speak with the Consortium.

### **Executive Director's Report**

#### **Prescription Drug Claims Audit**

Ms. Dowd asked for approval to accept the prescription drug claims audit which was sent to members. She said there were four different areas of concern; she reviewed areas and concerns that will need to be addressed with ProAct and said there will be no plan changes.

It was MOVED by Mr. Snow, seconded by Mr. Thayer, and unanimously adopted by voice vote by members electronically present, to accept the RX audit. MOTION CARRIED.

Ms. Dowd reported on the Excellus and ProAct accumulator issue that she has been working on addressing and said with a lot of help from Steve Locey she believes the issue has now been resolved and subscribers who may have overpaid will be reimbursed shortly. In response to Ms. Drake, she said this problem impacted 20-30 employees but only a small percentage (three to five members) exceeded the out-of-pocket maximum and will be reimbursed.

She said when the Committee heard from Excellus they spoke of the three financial measures they have as goals when putting together their budget. She would like there to be more conversation by the Committee and consensus on what the Consortium's net income next year should be, what percentage reserves should be, and discussion about the risk factors. Also in the agenda packet was a quarterly report from Wilmington Trust; she said the Consortium is still experiencing some good returns due to the timing of the investment vehicles the Consortium is in but over the next year that is expected to change. Wilmington Trust communicated that they are not very positive about the next 12-18 months; they have extended an offer at the end of the next quarter to make a presentation to the Committee.

#### **COVID-19**

Ms. Dowd reported to-date, the Consortium has expended approximately \$300,000 in Covid-19 related testing and diagnosis.

### TC3

Ms. Dowd reported the Operations Committee discussed TC3 and its continued late payments. She said presentations have been made presentations to both Tompkins and Cortland counties and due to cash flow difficulties they need some support from their sponsor counties. Bill Talbot and Rick Snyder think conversations are moving in a positive direction and once they secure that support their account will be brought current. In the meantime, they will be making a payment for May; their goal is to remain current. The Operations Committee talked about managing this type of situation and will be working on a policy; they didn't feel the one percent fee needed to be increased at this time.

### Financial Update

Mr. Locey reviewed financial results through June 30<sup>th</sup> and stated year-to-date income shows the budget being slightly over in premium, interest income, and prescription drug rebates. With regard to expenses, medical claims were 20% below budget and prescription drug claims were 2% over budget. Total claims were \$4 million below budget through June and collectively, the Consortium was 14% below budget. Mr. Locey noted the majority of when claims were under budget was in April and May.

Mr. Locey said in 2019 monthly paid medical claims averages were \$2.37 million per month and this was about the same for the same for the first few months of 2020. In the most recent three months they were \$1.9 million. He spoke of Telehealth and said recent information from Excellus shows there was 3,094 Telehealth visits for a little over 1,800 covered members with a total cost of \$325,000. Last year there was a total of 40 Telehealth visits for 40 members with a total cost of \$996. This demonstrates the increase in Telehealth services; he noted that although there has been a slight increase in Excellus Telemedicine program, people feel more comfortable utilizing their own physicians instead of going through the Excellus program.

Mr. Locey noted there have been no large losses year-to-date.

With regard to the 2021 initial draft budget, Mr. Locey said the budget was built on a 3% rate increase over what the full premium increased would have been for 2020, bringing the income up to \$54.8 million for next year based on the current population. It also includes a one-month premium holiday at the end of the year. He referenced the budget spreadsheet and called attention to the following:

1. It includes the use of fund balance because there is a negative net income expected;
2. All of the reserves remain unchanged;
3. The unencumbered balance is left at \$11.9 million which is 21.6% of premium revenue for the year;
4. Future projections include: for 2022 there is a 5% rate increase, 6% in 2023, and 7% in 2024 and 2025; and
5. An adjustment was made to the Rate Stabilization Reserve for 2023, reducing it from 7.5% to 5% in order to provide enough income to not fall short on the cash assets position.

Mr. Locey cautioned going too low on rate in 2021 will harm the Consortium's ability to keep future rates modest.

Mr. Barber commented that he doesn't think the fund balance exists to provide cash flow as much as it is to provide the opportunities to do what is currently being considered such as the

one-month premium holiday and to reduce the premium rate for municipalities due to fiscal pressures as a result of Covid-19. He said he would be interested in hearing how Directors feel about the fund balance level and what its target should be. Ms. Dowd recalled at the last Board meeting most Directors who spoke asked for long-term relief in lower premiums for next year and premium relief for 2020 was put back into the budget because there was funds to do that this year. It was also because there were additional Directors who reached out to her after the meeting and said they would like help in 2020 as well.

Mr. Hart said the strength of the Consortium is its financial stability. We are trying to alleviate pressures on municipal partners due to financial stress from an external circumstance in the form of a pandemic which has not affected the Consortium. When we start talking about drawing down balances and using reserves, we are drawing down finances that we have stored up for an event that is a shock to the Consortium, and this has not happened. He said there has not been a year where there has been large losses and he fears that if balances are drawn down too much the Consortium will not be as prepared for that type of event if it were to happen.

He understands and supports helping members and as a compromise suggested establishing a policy that would set a level for the unencumbered fund balance. At any time there is capital in excess of that the Consortium can accommodate a one-month holiday in that year. Mr. Hart said this could be done in 2020 by using funds not spent in 2019 and again in 2021 by drawing down the unencumbered balance. However, if that were done the Consortium would have to maintain the year-over-year increases at a flat and predictable level. He said eventually there will be a year when all of the expenses run high for some reason and the Consortium needs to be able to maintain the ability to absorb that without going back to its members and asking for a significant premium rate increase.

Mr. Locey agreed that when rate increase is too low it creates a problem that is compounded going forward. Whenever premium is taken down below where it should be it creates a deficit that will have to be made up at some point.

Mr. Hart said he will not support a budget that brings the unencumbered fund balance down to single digits. Mr. Salton and Mrs. Shawley agreed with Mr. Hart's comments and stated that bringing the rate down too low has a lasting effect. Mrs. Shawley said looking at the fund balance levels and giving back accordingly gives the Consortium more control.

Mr. Bramen asked that the Consortium be sure that member organizations and municipalities have spoken with their payroll departments because a premium holiday presents problems with implementation; he asked if credits or adjustments have been discussed with Excellus. Ms. Dowd said that conversation has not taken place. He said he is not advocating that a premium holiday not be done but questioned if there was another way.

Ms. Dowd spoke in support of establishing policies on issues like this as it will help guide future conversations. Mr. Cook said the Consortium tends to run profits and thinks it needs to be sensitive to its members and when large fund balances are accumulated that there be a mechanism to lower the fund balance by returning it back to payors.

There was consensus to move forward with incorporating into the budget a premium holiday for 2020 and including a premium rate increase that is lower than average (not zero). Mr. Cook suggested a 3% rate increase would be reasonable. Ms. Drake said she would like to try a December premium holiday this year. She could support a three percent premium rate increase for 2021 given the current situation but does not think it would be sustainable for future years.

The budget will be presented at the August meeting for a recommendation by this

Committee.

Mr. Locey spoke of TC3 and its late payments. He said the Consortium can't take any action against TC3 as it is a component of Tompkins County and doesn't qualify as a municipal entity under the current definitions. Ms. Dowd said Jason Molino, Tompkins County Administrator, feels it is very important to keep TC3 within the Consortium and he wants to be instrumental in developing a plan for them having a plan to remain current.

**Next Agenda Items**

Topics for the August 25, 2020 meeting include:

Policy for returning funds to participants  
TC3 accounts receivable  
Finalizing 2021 Budget recommendation

**Adjournment**

The meeting adjourned at 5:59 p.m.